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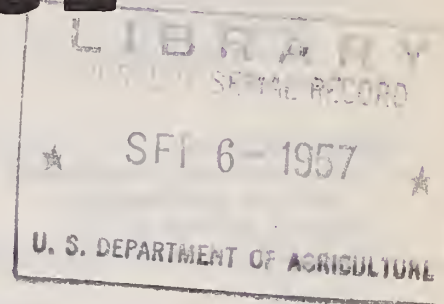
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The

DEMAND and PRICE SITUATION

DPS-32



Approved by the Outlook and Situation Board, August 20, 1957

SUMMARY

Farm product prices have risen gradually since February. In mid-July the index of prices received by farmers was at a level $1\frac{1}{2}$ percent above a year earlier and the highest since August 1954. But prices paid by farmers have also risen--up 3 percent since July 1956, and the parity ratio in mid-July this year was 84, down one point from a year earlier.

Prices of livestock products averaged one-tenth above July 1956. Substantially higher prices for cattle and hogs reflect reduced marketings of hogs as well as cattle. Recent broiler prices have come up to the level of a year earlier and eggs registered more than seasonal gains in recent weeks, though they are still well below a year earlier. Crop prices have eased in recent months and in July averaged approximately 6 percent below a year earlier. Lower prices for feed grains and potatoes account for most of the decline from a year ago. Cotton prices in recent months have risen to levels near a year earlier.

(Continued on page 3)

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AGRICULTURAL MARKETING SERVICE
UNITED STATES DEPARTMENT OF AGRICULTURE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1956			1957		
		Year	July	Apr.	May	June	July
Industrial production: Seasonally adj. <u>1/</u>							
Total	1947-49=100	143	136	143	143	144	144
All manufactures	do.	144	138	145	145	146	146
Durable goods	do.	159	148	160	159	162	162
Nondurable goods	do.	129	128	129	130	130	130
Minerals	do.	129	123	130	130	129	127
Construction:							
Total outlays, seasonally adjusted <u>2/</u>	Mil. dol.	46,060	3,873	3,888	3,911	3,930	3,865
Private residential	Mil. dol.	17,632	1,464	1,360	1,335	1,354	1,357
Housing starts <u>3/ 4/</u>	Thousands	1,118	1,070	962	980	970	980
Construction contracts awarded <u>5/</u>	Mil. dol.			2,778	3,398	3,243	
Manufacturers' sales and inventories: <u>2/</u>							
Total sales, seasonally adjusted	Mil. dol.	27,711	26,825	28,679	28,617	28,350	
Durable goods	Mil. dol.	13,805	13,021	14,254	14,296	14,182	
Unfilled orders-sales ratio <u>6/</u>		4.42	4.54	4.13	4.06	4.02	
Inventory-sales ratio <u>7/</u>		1.89	1.87	1.87	1.88	1.90	
Durable goods		2.22	2.23	2.21	2.21	2.22	
Employment and wages: <u>8/</u>							
Total civilian employment <u>9/</u>	Millions	65.0	66.7	64.3	65.2	66.5	67.2
Nonagricultural <u>9/</u>	do.	58.4	59.0	58.5	58.5	59.0	59.4
Unemployment <u>9/</u>	do.	2.6	2.8	2.7	2.7	3.3	3.0
Workweek in manufacturing	Hours	40.4	40.1	39.8	39.7	40.0	39.9
Hourly earnings in manufacturing	Dollars	1.98	1.96	2.05	2.06	2.07	2.08
Income and spending:							
Personal income payments <u>2/ 3/</u>	Bil. dol.	326.9	325.6	340.6	342.9	344.8	345.5
Consumer credit outstanding <u>1/</u>	Mil. dol.	41,863	39,478	41,015	41,707	42,245	
Automobile	Mil. dol.	14,436	14,381	14,659	14,852	15,092	
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	15,811	15,871	16,437	16,644	16,783	16,903
Durable goods	Mil. dol.	5,484	5,514	5,606	5,776	5,806	5,738
Inventory-sales ratio <u>7/</u>		1.51	1.50	1.46	1.44	1.44	
Prices:							
Wholesale prices, all commodities <u>4/</u>	1947-49=100	114	114	117	117	117	118
Commodities other than farm and food	do.	122	121	125	125	125	126
Farm products	do.	88	90	91	90	91	93
Foods processed	do.	102	102	104	105	106	107
Consumer price index, all items <u>4/</u>	1947-49=100	116	117	119	120	120	
Food	do.	112	115	114	115	116	
Prices received by farmers <u>10/</u>	1910-14=100	235	243	242	243	244	247
Crops	do.	240	255	242	244	241	239
Livestock and products	do.	230	231	242	241	245	254
Prices paid, interest, taxes and wage rates <u>10/</u>	1910-14=100	286	287	296	296	296	295
Family living items	do.	278	282	285	286	287	287
Production items	do.	249	248	260	259	257	257
Parity ratio <u>10/</u>		82	85	82	82	82	84
Farm income and marketings: <u>10/</u>							
Volume of farm marketings	1947-49=100	120	112	90	96	97	
Cash receipts from farm marketings	Mil. dol.	30,372	2,369	1,928	2,036	2,070	

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.
4/ U. S. Department of Labor, Bureau of Labor Statistics. 5/ Data published by the Department of
Commerce in the Survey of Current Business, from reports of the F. W. Dodge Corporation. 6/ Unfilled
orders for durables divided by monthly deliveries. 7/ Inventories, book value, end of month, divided by
sales. 8/ Bureau of the Census. 9/ Starting with January 1957, figures are not strictly comparable with
earlier periods because of changes in definitions of employment and unemployment. 10/ U. S. Department
of Agriculture, Agricultural Marketing Service.

Annual data for most of these items for the years 1929, 1932 and 1939-56 appear on page 31 of the
April 1957 issue of The Demand and Price Situation.

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 T H E D E M A N D A N D P R I C E S I T U A T I O N
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Approved by the Outlook and Situation Board, August 20, 1957

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Crop prospects for corn, rice and sugar beets improved during July and total crop production, based on August 1 conditions, is expected to be near the average of the past 5 years although below the record last year. Small declines were indicated for wheat, oats, barley, potatoes and tobacco. Production of eggs is running slightly above last year and turkey and milk production are at record levels. However, combined slaughter of cattle and hogs for this year is expected to total a little less than in 1956. All livestock and products production as a whole this year probably will be about the same as 1956. Production of crops and livestock combined may be down 2 percent.

An expanding export market has been one of the major factors in maintaining the record high level of economic activity this year. Total United States exports of 19.2 billion dollars in fiscal 1956-57 (excluding military aid shipments) were nearly a fourth above a year earlier. Increased farm exports, up 35 percent from 1955-56 contributed about a third of the gain. Surplus disposal and special export programs facilitated greatly increased exports of cotton and wheat.

Economic activity in general in July was at the level of recent months. Consumer income rose further to a new high. Retail sales increased in June and July after holding fairly steady for several months. Consumer prices reached record levels in June. Total employment rose in July due mainly to seasonal gains in nonagricultural employment and more than seasonal increases in agriculture. The length of the work week again declined slightly but average weekly earnings and wage rates rose further. Industrial output was unchanged from June while construction activity rose less than the usual seasonal amount.

Commodity Highlights

Livestock production and slaughter are likely to continue for some time below the very high level of 1956. The 1957 calf crop is down 2 percent from 1956, the lamb crop is 3 percent smaller, and the combined spring and fall pig crops are 1 percent larger. Prices of fed cattle may be more stable this fall than last but may decline slightly in late summer and early fall when marketings will be up substantially from last year. Hog and lamb prices will decline seasonally. Lambs are likely to remain above a year ago, but hog prices may drop below late in the the year.

Egg price prospects indicate a further seasonal price rise with the expected level later this year above the September-December level last year. Monthly production before the end of the year will be below 1956; the number of layers next January may be down by 6 to 8 percent. Turkey supplies are at record levels.

Flaxseed output this year, based on reports as of August 1, is expected to be 15 percent below a year ago but above prospective disappearance in 1957-58. Cottonseed production is about 10 percent less than 1956 due almost entirely to a decline in cotton acreage, and soybean output will be down 6 percent because of lower yields. Peanut production will be about 1 percent below 1956.

Total supply of feed grains for 1957-58 will be at a new high of 179 million tons, 3 percent above last year if production should turn out as indicated August 1. The corn crop of 3,066 million bushels is down from last year while sorghum grain is more than double and the oats crop is up one fifth from a year earlier. Pasture conditions were reported to be the best since 1951.

The wheat carryover on July 1, 1957 was 905 million bushels, 128 million bushels below the near record a year earlier. The 1957 wheat crop is now estimated at 915 million bushels, 8 percent below 1956. Although disappearance in 1957-58 also may be down some from a year earlier, a further small decline in carryover stocks is in prospect.

Early reports point to a substantially smaller production of vegetables for commercial processing this year than last. With larger carryover stocks, total supplies of canned vegetables probably will be only a little smaller. Supplies of frozen vegetables are likely to be at or near the record levels of a year earlier.

A 1957 cotton crop of 11.8 million running bales estimated as of August 1, a carryover of 11.4 million bales and estimated imports of 0.1 million bales, indicate a total supply of 23.3 million bales, 4.5 million below the record of the 1956-57 season. A further reduction in carryover stocks is expected in the current season.

Domestic production of shorn wool this year is estimated at 226 million pounds, grease basis, down 3 percent from last year. World production during 1956-57 is estimated to be almost 5 percent above last season.

Production of flue-cured tobacco, as indicated on August 1, was 35 percent smaller than last year's crop, But with a large carryover, total supply will be only about 7 percent lower. The Georgia-Florida marketings have finished with the average price of 55.9 cents per pound, 16 percent above a year ago and volume of over one third less than a year ago.

GENERAL ECONOMIC SITUATION

The general economic situation in July was little change from June. The mixed trends evident in the past few months have continued into early August. Consumer incomes and retail sales made further increases. Employment increased in July mainly due to seasonal expansion in nonagricultural industries and more than the usual seasonal rise in agriculture. Employer hiring plans through mid-September indicate primarily seasonal increases in employment. The effect of some decline in hours worked per week was more than offset by increases in wage rates. Average weekly earnings of factory production workers increased. Production remained at June levels. Declines in output of automobiles were largely balanced by increases in primary metals and metal fabricating. Manufacturers' sales and new orders in June declined--particularly for durable goods. Construction continues to show increases, but by less than the usual seasonal amount apparently due to the effects of the cement strike. Consumer prices rose in June and the rise apparently continued into July. Wholesale prices in July had the largest advance of any month since September 1956.

Consumer income rose further in July to an annual rate of 345.5 billion dollars, up 700 million dollars from June and 6 percent above a year ago. Labor income, as in the past three months, accounted for practically all the rise in income. Higher wage rates during July were sufficient to offset the effect on income of a leveling in employment and average weekly hours of production workers in manufacturing. Among the other sources of consumer income

proprietors', rental, personal interest and dividend income rose while transfer payments declined because of a smaller number of retroactive social security payments to new claimants.

Consumer prices in June, the latest month available, rose one-half percent to 120.2 of the 1947-49 average, 3.4 percent above a year ago. Feed prices rose 1.4 percent from May to June, due largely to advances in prices of fresh fruits and pork. The June food index was 116.2, 2.7 percent above a year ago, but 0.3 percent below the August 1952 peak. More than seasonal increases in fresh fruits and higher prices for all cuts of meat and frying chickens were reported, while prices of eggs were down. The cost of housing increased due to boosts in residential rents, prices of house furnishings and household operation. Medical care, reading and recreation, personal care and apparel increased moderately while transportation remained at the May level. The general level of prices paid by farmers for family living items remained unchanged for the month ended July 15 at 287 percent of the 1910-14 average and nearly 2 percent over a year earlier. Prices paid for food and new automobiles were down a little from June offsetting small increases in household furnishings and building materials.

Per capita disposable personal income was up 3 percent and expenditures for food per person up 4 percent in the April-June quarter over the same quarter a year earlier. But this gain was due largely to a rise in retail prices of farm produced food products of about 3 percent. A 6 percent increase in marketing charges accounted for the higher retail prices, as prices received by farmers averaged about the same in both quarters.

During the second half of 1957 food supplies are expected to total fairly close to the high level of a year earlier. With consumer demand likely to be maintained at a high level and marketing charges to continue to advance, prospects are that retail food prices will remain higher this summer and early fall than last. For individual foods, variations from current prices will reflect mainly seasonal changes in supply.

Retail sales, seasonally adjusted and based upon advanced reports, were 16.9 billion dollars, up 1 percent from June. Declines of 1 percent occurred in durable goods sales while nondurables increased 2 percent. Compared with July 1956 all retail sales were up 9 percent, the food group, automobile group, gasoline service stations, drug and proprietary stores and the apparel group were up about 10 percent with the general merchandising group up 8 percent, furniture and appliance and eating and drinking places up 3 percent and with the lumber, building, hardware group down a half a percent.

Consumer installment credit outstanding, seasonally adjusted, registered a smaller increase over the previous month, 161 million dollars, than the average for the first five months of the year of over 200 million dollars. The increase in June last year was 43 million dollars.

The Bureau of the Census reported that total employment of 67.2 million in July up 700 thousand due mainly to a seasonal expansion in nonagricultural

industries and a more than seasonal rise in agriculture. Unemployment on a seasonally adjusted basis was estimated at 2.9 million, 4.2 percent of the civilian labor force, compared with 4.5 percent in June. Employees in non-agricultural establishments as reported by the Bureau of Labor Statistics remained, on a seasonally adjusted basis, at slightly above the June level of 52.8 million. Small declines in both durable and nondurable goods manufacturing were offset by increases in non-manufacturing--particularly wholesale and retail trade, service and government. Employer hiring schedules to mid-September indicate a rise in employment mainly due to seasonal influences. Most of the increase will be in non-manufacturing--especially construction and trade. The increases in manufacturing are expected to be concentrated in food processing and apparel. Small gains also are expected in aircraft and electrical machinery, while declines are expected in motor vehicles due to model changeover.

Average weekly hours of production workers in manufacturing declined slightly to 39.9, down one tenth of an hour from June. Average hourly earnings rose 1 cent per hour resulting in average weekly earning of \$82.99 up 19 cents from June and \$4.39 above a year ago.

July production of passenger cars totaled about 496,000 units, the same as June and 55,000 above a year ago. Dealer sales of new cars were below production resulting in an increase in inventories. At the end of July inventories were almost at the April level, the high for the year to date. For the first seven months of 1957 production of automobiles totaled 3.9 million units, 6 percent more than 1956.

Steel production declined further in July to about 8.9 million tons or about 79 percent of capacity. Since the steel strike in July last year when production was 15 percent of capacity, it rose to 101 percent of capacity in October 1956 and gradually declined to 93 by February 1957. The decline since then has been fairly rapid to the present level of operations. As the change-over in new automobile models is made, some increase in steel production can be expected; increased output of consumer durable goods also may require more steel. Demand for steel in construction and in producer durable goods is expected to continue high.

Industrial production, seasonally adjusted, in July remained at the May-June level of 144 percent of the 1947-49 average. Manufactures production continued at a rate of 146, the same as June. In durable manufacturing, declines in transportation equipment and clay, glass, and lumber were offset by metal fabricating and primary metals. Nondurable production continued at the same level as in May and June with increases in rubber and leather products and paper and printing, declines in chemicals and petroleum products with the remainder at the same level as in May and June. Output of consumer durables remained at the June level of 129. A cutback in auto production was offset by other consumer durables production.

Construction outlays at 4,403 million dollars, rose less than seasonally in July, apparently due to the effects of the cement strike. For the first seven months of 1957 construction activity was at an all time high of 25.9 billion, 2 percent above the same period in 1956. Public outlays for July increased 1 percent over June due mainly to further increases in highways, military facilities and for conservation and development projects.

Private construction was almost 2 percent below a year ago due mainly to slowness in residential and industrial buildings. Other private construction rose slightly as a result of increases in public utilities and other non residential buildings.

Housing starts for July on a seasonally adjusted annual rate basis were 980,000 units, slightly above June but below 990,000 units started in May. While housing starts are down substantially from the levels for a year ago, the vacancy rate for the second quarter remained at the low first quarter rate of 2.3 percent of all dwellings and below the 2.6 percent level in 1956. The slowdown in building apparently has also reduced vacancies. Lower down payments and an increase of 1/4 percent in the maximum interest rate on mortgages insured by the Federal Housing Administration was announced early in August. The purpose of this action was to stimulate demand, by making it easier for moderate income families to purchase new homes.

Construction contract awards as reported by F. W. Dodge Corporation, for June were 10 percent over a year ago. For the first half year, total awards were 5 percent over a year ago. The awards figures indicate an increase in the proportion of public construction, while manufacturing construction declined 6 percent. Heavy engineering work, both public and private, showed the greatest gains, particularly highways, public utilities, airports and waterworks.

Manufacturers' sales in June were down 1 percent from May after adjustment for seasonal variation. Fabricated metal, transportation equipment, textiles, and petroleum industries had the largest declines. Inventories increased fractionally in the nondurable goods industries. New orders declined 4 percent below May due to a sharp cutback in aircraft, and declines in all other major industries except primary metals. Unfilled orders declined about 2 percent in June, with all the drop centered in the durable goods industries. New orders for machine tools increased slightly in June; however, the estimated backlog declined further and is now equal to around 4 months deliveries compared with 6 months in January this year.

Wholesale prices in July increased 0.6 percent to 118.1 of the 1947-49 average. The advance in farm products was due mainly to higher average prices of livestock, eggs, fresh fruit, and milk; lower prices were reported for grains, and fresh and dried vegetables. The increase in prices of processed foods was due to increases in meats. All commodities other than farm and foods increased to 125.6 percent of the 1947-49 average, up 0.3 percent over June.

Prices of metals and metal products--particularly steel, cigarettes and smoking tobacco, hides, skins and leather increased with lower prices reported for cotton products, crude natural rubber, petroleum products and lumber.

The index of prices received by farmers for all farm products in mid-July rose to 247 percent of the 1910-14 average, the highest since August 1954. The index was 244 in mid-June and 243 in July of last year. A sharp increase in livestock product prices was responsible for the increase in the past month; crop prices in the aggregate were down slightly. Hogs, cattle, dairy products and poultry and eggs all showed increases though dairy prices were up less than seasonally. Hog prices were up nearly a dollar from mid-June and were 4 dollars above July 1956. Prices received for beef cattle were up less than a dollar from the previous month but more than 3 dollars from a year earlier. Egg prices rose from an average of 29 cents per dozen in mid-June to 32.1 cents in mid-July, a greater than seasonal increase. Broilers also rose but turkeys declined in price over the month.

Among the crops, price declines for feed grains (except corn), hay, and fruit offset increases for cotton, tobacco, oil-bearing crops, commercial vegetables, and potatoes. The changes in vegetable and potato prices were contraseasonal movements caused by adverse weather conditions in important growing areas.

The index of prices paid by farmers for commodities, and services, interest, taxes and wage rates declined a point to 295 (1910-14=100) in July. The small decline resulted from a drop in the wage rate component after seasonal adjustment; farm wages failed to show the usual rise for that time of year. The prices paid index has shown little change since early this year. An upward push in prices paid for family living, led by advancing food and automobile prices has been largely offset by a general easing in production costs. It is likely that prices paid for some production items will increase in the next few months.

The upward trend in prices received together with relatively stable farm costs has resulted in an improvement in the parity ratio from the low of 80 last February. At 84 in mid-July (1910-14=100), this is still one point below a year earlier.

Prices of farm commodities on major central markets averaged a little higher in mid-August compared to mid-July. Hog prices at Chicago averaged $4\frac{1}{2}$ percent higher. Slaughter steers, also at Chicago, rose 4 percent but prices of cows (utility) were off 5 percent. Potatoes (California Long Whites) increased 27 percent over this period. Midwestern egg prices increased more than 10 percent, while North Georgia broilers declined about 6 percent. Young tom turkeys in California increased 4 cents per pound in the month ending in mid-August. Grain prices showed mixed trends. Soybeans, No. 1, Yellow, at Chicago, averaged unchanged.

FOREIGN DEMAND

United States exports during the year ended June 30, 1957 totaled 19.2 billion dollars, excluding military aid shipments. The comparable figure for last year was 15.6 billion. One third of the increase resulted from larger farm exports. Spurred by record sales of cotton and wheat U. S. agricultural exports during 1956-57 reached an all-time high of 4.7 billion dollars, 1.2 billion or 35 percent above 1955-56.

The overall gain in volume is estimated at 40 percent over a year ago, but for some major export commodities the gains ranged from 50 to 240 percent.

Table 1.--U. S. Farm Exports, Year Ending June 30
1955-56, 1956-57 ^{1/}

Item	Unit	1955-56	1956-57	Change
				<u>Percent</u>
Wheat and flour	Mil. bu.	343	536	56
Barley	do.	98	58	-41
Corn, grain	do.	120	140	17
Sorghum grains	do.	73	29	-60
Rice, milled	Mil.cwt.	11	24	122
Cotton	1,000 bales	2,241	7,615	240
Tobacco, unmfed.	Mil. lb.	578	499	-14
Soybeans	Mil. bu.	71	77	8
Soybean oil	Mil. lb.	371	926	150
Cottonseed oil	Mil. lb.	652	448	-31
Lard, including shortening	do.	638	558	-13
Tallow	do.	1,330	1,359	2
Nonfat dry milk	do.	238	270	14
Total agricultural exports	Mil.dol.	3,494	4,724	35

^{1/} Excludes USDA donations to private and international agencies for foreign relief under Title III of P.L. 480 as well as relief shipments by individuals, neither of which are separately reported in Census data.

Table 2. UNITED STATES AGRICULTURAL EXPORTS 1956-57
Estimated quantity of selected commodities exported under specified government export programs 1/

Commodity	Unit	Public Law 480				Mutual		Total		Total exports 2/	
		Title I	Title II	Title III	Total	Security	Act	under	programs	Quantity	Percent
		: I	: II	: Donations	: Barter	: Titles	: Titles	: under	: programs	: under	: under all
Wheat and flour	: Mil. bu.	: 199	: 12	: 10	: 88	: 309	: 65	: 374	:	: 546	: 57
Corn	: do.	: 14	: 2	: 1	: 37	: 54	: 15	: 69	:	: 142	: 38
Barley	: do.	: 20	: 1	:	: 15	: 37	: 15	: 51	:	: 58	: 63
Oats	: do.	: 1	:	:	: 19	: 20	:	: 20	:	: 24	: 83
Sorghum grains	: do.	:	:	:	: 22	: 22	: 1	: 23	:	: 29	: 78
Total feed grains	: Mil. sh. tons	:	:	:	:	: 3.4	: .8	: 4.1	:	: 6.5	: 51
Rice, milled	: Mil. cwt.	: 18	: .5	: 2	: .6	: 21	: .2	: 21	:	: 26	: 81
Cotton	: Mil. bales	: 1.4	: 3/	:	: .6	: 2.0	: 1.0	: 4/3.4	:	: 7.6	: 26
Soybean oil and cottonseed oil	: Mil. lb.	: 664	: 3/	: 2	:	: 667	: 144	: 811	:	: 1376	: 48
Lard, including	: do.	: 78	:	:	:	: 78	: 53	: 131	:	: 558	: 14
Tallow	: do.	: 110	:	:	:	: 119	: 39	: 158	:	: 1359	: 9
Nonfat dry milk	: do.	:	: 49	: 440	: 2	: 491	: 3	: 494	:	: 710	: 69
	:	:	:	:	:	:	:	:	:	:	: 70

1/ Excludes sales for export of CCC held commodities and sales under the International Wheat Agreement unless falling within the specific export programs noted below. Totals, and percentages calculated on basis of unrounded data.

2/ Data for P.L. 480 based on reported shipments; for exports under the Mutual Security Act on dollar expenditures through March 1957 and on purchase authorizations having terminal delivery dates through June 30, 1957; for Export-Import Bank, on disbursements under loans. Thus data on exports under programs are not strictly comparable with official trade statistics. Moreover, total exports include estimated data for private relief not separately reported in official trade statistics.

3/ Negligible.

4/ Includes 0.4 million bales under Export-Import Bank loans.

Special export programs including CCC sales below markets prices played a large role in total export movements of farm products. Exports under the various titles of Public Law 480 alone accounted for an estimated 81 percent, of rice exports, 69 percent of nonfat dry milk, about 57 percent of wheat (including wheat equivalent of flour), 51 percent of feed grains, 48 percent of soybean oil and cottonseed oil and 26 percent of cotton. Additional significant quantities moved under the Mutual Security program and, in the case of cotton, under Export-Import Bank loans. These additional programs would raise the estimated percentages noted above to 68 percent for wheat, 63 percent for feed grains, 59 percent for edible vegetable oils and about 45 percent for cotton. (Table 2) If all CCC sales for export below domestic market prices were included in these calculations, (e.g. under the cotton and wheat export programs) the percentages would be considerably higher.

In terms of value, sales for foreign currencies, barter, grants and donations accounted for some 40 percent of U. S. agricultural exports in 1956-57. These programs enabled foreign countries, notably those temporarily or chronically short of dollar exchange, to secure agricultural commodities valued at nearly 2 billion dollars without an actual expenditure of dollars. Nevertheless, the combined effect of the economic boom, mounting inflationary pressures, and the Suez crisis have brought to a halt the accumulation of gold and dollar assets by a number of foreign countries despite sizable assistance from the International Monetary Fund. During January-March 1957 combined holdings of foreign countries registered the first quarterly decline since the one occasioned by Korean buying spree in 1952. On March 30, 1957 the gold and short term dollar assets of foreign countries stood at 28 billion dollars, 300 million below December 1956. These assets were still some 800 million above March 1956 due largely to net disbursements of 700 million dollars by international institutions. The combined holdings of foreign countries and international institutions rose by 135 million dollars over the year, but declined by more than 400 million from December 1956. There was some evidence that the drain was reduced during the quarter ended June 1957, although such important trading countries as France, Japan and India continued to experience grave losses. All three of these countries have taken measures to reduce the pressure on their foreign exchange reserves by reducing imports. In addition, France announced an effective devaluation, applicable to most trade, of 20 percent.

The effect of these developments on U. S. farm exports may be mitigated by foreign aid and special export programs. India may utilize this year, instead of over the next 2 years all of the approximately 160 million dollars remaining under its PL 480 agreement. In the case of France, cotton, our major export to France, will enjoy a preferential exchange rate under the French system; moreover, increased direct exports to other countries of the France area (notably in North Africa) and continued high exports to Vietnam, Laos and Cambodia are being programed. Japan will have available a special Export-Import Bank loan of 115 million dollars to finance its purchases of U. S. farm commodities in addition to another 60 million dollar cotton loan which has been a regular part of their import financing in recent years. Furthermore, it is expected that Japan's balance of payments difficulties will have been largely overcome by the end of 1957.

Table 3.--Disposition commitments of CCC commodities acquired under price support, 1955-56 and 1956-57 1/

Item	Unit	Total domestic		Total foreign		Total dispositions	
		1955-56	1956-57	1955-56	1956-57	1955-56	1956-57
Cotton	1,000 bales	190	100	3,500	7,693	3,690	7,793
Cotton linters	do.	947	220	---	---	947	220
Wool	Mil. lb.	42	77	---	---	42	77
Wheat	Mil. bu.	14	31	303	218	317	249
Coarse grains	Mil. tons	3	6	7	5	10	11
Rice, milled basis	Mil. cwt.	3	6	11	21	14	27
Dry beans	do.	2	1	1	3	3	4
Soybeans and cottonseed oil <u>2/</u>	Mil. lb.	121	104	126	---	246	104
Flaxseed and linseed oil <u>2/</u>	do.	47	2	107	110	143	112
Tung oil	do.	27	3	---	---	27	3
Dry milk	Mil. lb.	79	143	573	685	652	828
Butter	do.	144	79	3/209	14	353	93
Cheese	do.	65	112	172	141	237	253
Total incl. other <u>4/</u>	Mil. dol.	453	647	1,683	2,204	2,186	2,851

1/ Data for 1956-57 preliminary.2/ In terms of oil.3/ Includes butter oil.4/ Value of dispositions calculated at dollar return for commercial sales, exchange value for bartered commodities, CCC cost for transfers and donations.Surplus Disposal Operations

Total government disposal operations during fiscal year 1956-57 reached a record level as shown by reports on disposition commitments of CCC owned

commodities. These commitments represent firm contracts made by CCC, covering commercial sales (including those financed under government export programs) non-commercial sales, transfers, exchanges and donations. Overall disposition commitments in 1956-57 valued at 2,850 million dollars were one-third above 1955-56. As in the previous year, nearly 80 percent of the total represented foreign dispositions.

A 200 million dollar rise in domestic dispositions reflected increased commercial sales of wool, sales and donations of wheat and feed grains, non-fat dry milk and cheese. These increases more than offset declining dispositions--as CCC holdings declined--of oilseeds and vegetable oils and butter.

Foreign dispositions rose largely as a result of the cotton export sales program. Commercial sales of cotton for export more than doubled to 7.8 million bales, of which about $3\frac{1}{2}$ million was for export after August 15. Sales of wheat for export were lower than in the previous year and largely involved payments of subsidy-in-kind under the revised program whereby most exports are out of commercial stocks. Foreign currency sales caused a doubling of commitments to export rice. These increases more than offset lower sales and barter of coarse grains and reduced availability and hence disposition of vegetable oilseeds and oil and butter.

These dispositions were partly offset by new purchases and other transactions. The net effect was a reduction in the Commodity Credit Corporation investment in surplus commodities (inventories and commodities under loan) during fiscal year 1956-57 of about 1 billion dollars to 7.6 billion. (Data through May 31, 1957). In terms of quantity, the investment in cotton declined by 4 million bales or 31 percent, wheat 167 million bushels or 16 percent, rice 11 million cwt. or 58 percent, wool inventories were 67 percent lower than a year ago, and those of cotton linters 88 percent. On the other hand, investment in soybeans, flaxseed and linseed oil was substantially larger than a year earlier and the quantity of tobacco under loan increased 10 percent.

Through May 31, 1957, CCC incurred a loss of 1,154 million dollars on its disposal operations. Of this amount, 350 million dollars derived from domestic and foreign donations which involve no return to CCC. Other losses represent the difference between CCC cost and realized return (usually export market value) of CCC sales to exporters under the Mutual Security Program, the barter program, and other CCC sales for export, as well as domestic sale of dairy products for restricted use, sale of out-of-condition commodities, and losses from storage, fire and theft. No losses are incurred under Title I (foreign currency sales) and Title II (emergency relief) of Public Law 480, as the legislation provides for full reimbursement of CCC costs. Reimbursement is also provided for subsidies (losses incurred) in connection with sales under the International Wheat Agreement, and for commodities transferred under Sec. 32.

FARM INCOME

Farmers received about 15.0 billion dollars from marketings in the first 7 months, slightly more than the estimate of 14.8 billion dollars a year ago. Prices averaged nearly 3 percent higher, but marketings were down a little. Receipts from meat animals of 9.5 billion dollars were up nearly 5 percent. Cattle and hogs made substantial increases because of higher prices. Receipts from milk rose slightly with larger production. Lower prices for eggs and chickens held receipts from poultry and eggs below last year. Crop receipts of 5.5 billion dollars were 3 percent below a year ago with both prices and marketings down. Receipts from cotton, potatoes and oranges were smaller than last year.

Total receipts in July were about 2.5 billion dollars, up 6 percent from a year ago because of higher prices and slightly larger marketings. Receipts from livestock and products of 1.4 billion dollars were about 9 percent above a year ago because of higher prices for cattle and hogs, and slightly larger milk production. Crop receipts of 1.1 billion dollars were up 2 percent from July 1956 with larger receipts from fruits and tobacco.

LIVESTOCK AND MEAT

The 1957 calf crop is down 2 percent from 1956, the lamb crop is 3 percent smaller, and the combined spring and fall pig crops are only 1 percent larger. It is likely that livestock production and slaughter will continue for some time below their very high level of 1956. While employment and consumer incomes remain high, prices of livestock to producers, although fluctuating seasonally, may be expected to retain this year's gain through at least the first half of 1958. At the same time, feed probably will cost less in the coming feeding year than in the past year. All feed crops except corn are larger than last year.

In mid-August prices of all kinds and classes of meat animals were above a year before. Increases varied from \$1.50 per 100 pounds for lambs to over \$4.00 for hogs. Most of the gain in price resulted from smaller current supplies for slaughter. However, higher prices for feeder cattle and lambs reflect also the prospects for a large feed harvest this year and for well-sustained slaughter prices in 1958. Prices of feeder steers and calves in mid-August had not declined from their spring advance and were \$3.50 to \$4.00 above a year before. If prospects for the corn crop should continue favorable and fed cattle prices are maintained as expected, feeder prices probably would make little seasonal decline this fall.

Prices of fed cattle this fall may be more stable than last fall. Although they may decline slightly in late summer and early fall, when marketings will substantially exceed the same time last year. A rise is likely later. Prices of hogs will decline seasonally but give promise of staying

above 1956 prices until the last few weeks of the year. Prices of lambs may decline a bit seasonally, but are likely to remain above a year ago.

Total costs of feeding cattle this coming season will be higher than last season. The increase in costs of the feeder stock will substantially exceed the small reduction in costs of feed. Average profits nevertheless may be realized on cattle bought in August if cattle slaughter decreases and prices rise in 1958 as expected. A drop in consumer demand or recurrence of drought would of course prevent this.

Production of hogs doubtless will increase during 1958. Cattle numbers, however, will likely be down from a year earlier by January of that year since slaughter in 1957 is not being reduced enough to prevent further decline. The cycle of number of cattle on farms seems likely to go through its usual pattern during the next few years. However, the drop probably will be less than in previous cycles, and the downswing may be shorter than usual.

Sheep numbers on farms still appear to be almost static. Commercial slaughter in January-July was down about 3 percent and this year's lamb crop is 3 percent smaller. Numbers next January may not differ much from last January.

DAIRY PRODUCTS

Prices to farmers will be at least equal to a year earlier during the second half of 1957. From January through June prices to farmers and retail prices were slightly above the first half of 1956. Production of milk in the first seven months of 1957 increased two-thirds of a billion pounds, or 1 percent, above the same period last year.

The small gain in milk flow was mostly channeled to fluid milk outlets. But data from Federal order markets indicate that the increase in fluid milk was little, if any, larger than the increase in population. The effects of record high consumer income on consumption was about offset by higher retail milk prices. For 1957 as a whole, consumption of fluid milk and cream per person will be close to the 355 pounds of last year.

The small increase in volume of milk that went into manufacturing in the first half of 1957 showed up mostly in increased cheese output, though production of evaporated milk increased slightly. Production of butter and ice cream was about equal to a year earlier while output of dry whole milk was down. Per capita consumption of manufactured dairy products, as a group, may have been a little smaller than a year earlier so far in 1957.

Price support purchases of butter in the first third of this marketing year were 6 percent above a year earlier while cheese purchases were up 45 percent. The milk equivalent of the two showed a gain of 16 percent. Purchases of nonfat dry milk were about the same as a year earlier. USDA stocks of

butter now are above the comparatively low levels of a year earlier, but holdings of cheese and nonfat are smaller.

The small increase in milk production in the first half of this year was made possible by a record output per cow. Good pastures for the U. S. as a whole and continued heavy concentrate feeding contributed to the high rate. The number of cows in mid-1957 was 1 percent below a year earlier. By regions, the June numbers as a percentage of a year earlier were as follows: North Atlantic, 98.1 percent; East North Central, 98.8 percent; West North Central, 98.7 percent; South Atlantic, 100.0 percent; South Central, 97.5 percent; and West, 100.1 percent.

Favoring increased milk production are record supplies of feed grains and hay and above average relationships of prices of milk to price of both concentrates and hay. Tending to limit increases in milk output are the trends toward fewer cows and the less favorable relationship between milk prices and meat animal prices. The total milk flow probably will continue a little above a year earlier in the remainder of 1957, but the years' total may increase less than the 2 billion pounds that seemed likely earlier in the year. In 1956, a record 125.7 billion pounds was produced.

POULTRY AND EGGS

Average egg prices received by farmers in mid-July were 32.1 cents per dozen, the highest since February. For many important grades at terminal markets, mid-July prices were the highest of the year to date, but a below-average size and quality during the summer tends to hold down the U. S. average farm price in relation to wholesale quotations for large high-quality eggs. The mid-July farmers price in 1957 was 45 cents below last year, compared with 7.4 cents in June, and 8.6 cents in May. In late July, egg prices weakened by a few cents per dozen, but most of the losses were recovered by mid-August.

The prospects are for a continuation of the seasonal price rise. The September-December average is likely to exceed 1956 average farm egg prices, which were in the 37-38 cent per dozen range for those months. Production before the end of the year will be below 1956, in view of the prospective cut in the January 1, 1958 number of layers. A 6 to 8 percent cut in layers on farms next January 1 is expected because of the 18 percent reduction from last year in the number of replacement chickens raised.

Broiler prices in mid-July were also the highest in some months. At 21.4 cents per pound, they were the same as, and the highest since the same date a year earlier. Mid-August marketings were from placements 3 percent above a year earlier. Recent placements suggest that marketings by mid-October will exceed 1956 by 8 to 10 percent. By October the warm-weather demand for frying chickens will have passed and supplies of competing red and poultry meats will be seasonally higher. As a result broiler prices in fall are likely to recede from present levels.

Farmers' mid-August prices for turkeys in California, the largest producing State, were up from the month before, but continued below 1956. At about 21 cents per pound for both hens and toms, these prices were respectively 1 and 4 cents above mid-July, but almost 6 cents below a year earlier. U. S. average prices in mid-July were 6.5 cents below a year earlier.

Turkey supplies for 1957 are record large, with the number of turkeys being raised and the carry-in storage stocks the largest on record. The 43 percent increase over 1956 in January 1-August 10 slaughter in commercial plants was due to higher monthly poult hatchings early in the season and a 28 percent increase in the number of breeder hens over a year earlier. For the remainder of 1957, slaughter will be much closer to 1956, and after September may even fall below the year-ago level.

OILSEEDS, FATS AND OILS

Supplies of food fats during October 1957 - September 1958 probably will be slightly less than the year before. Most of the decline will reflect a drop in beginning stocks as output is likely to be about the same as last year. A drop in edible oil output probably will be nearly offset by a slight increase in lard production. Little change is expected in butter output. If per capita disappearance remains about the same as last year and there is no change in ending stocks, the quantity of these fats, including soybeans, available for export in 1957-58 will be somewhat less than the record 2.8 billion pound total estimated for this year.

Based upon reports as of August 1, cottonseed production is placed at 4,896,000 tons, about 10 percent less than in 1956. Practically all of the decline reflects a reduction in acreage harvested as cotton yield per acre is up. Soybean output in 1957 is forecast at 428 million bushels, 6 percent below last year. The drop is due to lower prospective yields as the expected acreage for harvest is record high.

Flaxseed output this year is forecast at 41.2 million bushels, 15 percent below 1956, but about 10 million bushels above probable domestic use. CCC probably will acquire most of the excess as was the case last season.

The outlook does not appear bright for commercial exports of U. S. flaxseed in the 1957-58 marketing year. Heavy supplies are expected in major exporting countries and world prices probably will be well below the U. S. support price to farmers for the 1957 crop.

Peanut production is estimated at 1,590 million pounds, about 1 percent less than a year earlier. A crop of this size would supply about 20 percent more peanuts than are expected to be used for food and on the farm. Most of this excess will be acquired by CCC under the support program.

The price of 1957 crop peanuts is to be supported at a national average level of 11.1 cents per pound, 0.3 cents lower than in 1956. This level reflects 81.4 percent of the August 1, 1957 parity price of 13.6 cents per pound. The average support price by types, per pound of 1957 crop quota peanuts will be: Virginia type, 11.8 cents; Runner type, 10.3 cents; Southeastern Spanish type, 11.2 cents; and Southwestern Spanish type, 10.9 cents. Loans on 1957 crop peanuts will be available to individual producers and to grower associations from the time of harvest through January 31, 1958, and will mature May 31, 1958, or earlier on demand by CCC.

FEED

Feed grain tonnage based on August estimates will closely match last year's total. The 3,066 million bushel corn crop is near average size, although a tenth less than last year. Sorghum grain is making its new importance felt in no small way with a prospective harvest of 418 million bushels. This is more than double last year's crop of 205 million bushels and 72 percent more than the 1955 record. The oats crop of 1,361 million bushels is nearly a fifth larger than last year. The barley crop is about a sixth larger than last year's crop, despite some reduction in estimates during the past month.

A little more than 5 million tons are being added during 1956-57 to year-end carryover stocks of feed grains. If production should turn out as indicated August 1, the total supply of feed grains for the 1957-58 feeding year (including estimated imports of slightly more than 1 million tons) would be up slightly from about 174 million tons to a new high of around 179 million tons.

Supplies of byproduct feeds have been increasing in recent years, largely as the result of increasing production of soybean meal, and they are expected to continue large in the 1957-58 feeding season. While soybean production is down from a year ago, it is still very high compared with average. The total supply of feed grains and other concentrates may be slightly larger than the record supply of 200 million tons in 1956-57. The number of grain-consuming animal units is expected to be about the same as in 1956-57.

Pasture conditions averaged 82 percent of normal as of August 1, the highest for the date since 1951. Drought in the East, however, had seared pastures over a widening area. Western range feed is best since 1950. Grazing is generally good throughout the West with the exception of drought conditions in some areas.

The total tonnage of hay was lowered slightly during July. But the 118.9 million ton total is the largest on record in volume and in relation to the number of roughage-consuming animals to be fed; the number to be fed will be down a little from last year.

Prices of feedstuffs have generally sagged since late spring and are below a year earlier. Corn was about 25 cents below prices in the like period

of 1956. Oats declined 6 to 10 cents below 1956, and barley dropped sharply below last year. Prices of most byproduct feeds joined in the decline and were less than a year previously. Exceptions include dehydrated alfalfa meal, tankage and meatmeal. Soybean meal, 44 percent protein, bulk at Decatur reached \$52.00 the week of August 13, after a steady increase since late June, but is down \$1.50 compared with the same week in 1956. The price index (1947-49=100) for 11 high-protein feeds at wholesale stood at 77.0 in July, compared with 81.1 in January and 83.0 in July last year. Prices of No. 1 Alfalfa Hay in Kansas City in July averaged \$25.50 per ton, compared with \$22.50 in June and \$25.00 in July 1956.

Improved weather, better grazing and the outlook for large feed-grain crops in 1957 contributed to the weakness in feed markets this spring. Weather and growing conditions for corn and grain sorghums the rest of the summer will have much influence on trends in feed prices.

WHEAT

The wheat carryover on July 1, 1957 was 905 million bushels, a drop of 128 million bushels from the near record a year earlier. This reduction resulted from record large exports. A large part of the exports, as in other recent years, were moved under Government export subsidy and foreign aid programs. The 547 million bushel total was far above last year's 346 million bushels, and the previous record of 503 million bushels in 1948. A reduction in production in 1957 and continued large exports are expected to further reduce stocks in 1957-58.

Total wheat supplies for the marketing year which began July 1, 1957, include the carryover, the crop estimated at 915 million bushels as of August 1, and likely imports of about 8 million bushels. The 1,828 million bushels total for 1957-58 is 211 million bushels lower than the record last year. It also is below 1955-56 and 1954-55 but above any previous year.

Domestic disappearance for 1957-58 is estimated at about 600 million bushels, slightly above that in the past year. A domestic disappearance of this size would leave about 1,230 million bushels for export during the marketing year and carryover at the end of the year. Assuming exports of about 400 million bushels, which is very large but sharply below those in 1956-57, the carryover July 1, 1958 would total about 830 million bushels. This would be 75 million bushels below the 905 million bushels July 1 this year.

Of the total carryover July 1, 1957, the Commodity Credit Corporation owned 830 million bushels, a drop of 130 million bushels from a year earlier. With about 7.2 million bushels of 1956-crop wheat resealed and 12.9 million bushels still outstanding under the 1956-crop support program, and also 2.1 million bushels of 1955-crop wheat under extended resale, 52.6 million bushels of old crop wheat were in "free" supply on July 1. Last year the "free" supply amounted to about 54 million bushels, and 2 years ago the "free" supply amounted to about 46 million bushels. Of the 1956 crop, there

were 253 million bushels placed under the price support program, of which 133 million had been delivered to the CCC by July 1, 1957. Cash wheat prices August 7 were at or near the lowest level of the season to date. Since April, wheat prices have been adjusting downward seasonally, though delayed harvesting and damage of wet fields resulted in temporary increases. Since August 15, there has been a slight increase in prices of hard red winter wheat at Kansas City and soft red winter at St. Louis but further declines in soft white at Portland. Prices of hard spring wheat at Minneapolis were unchanged with market prices well below the support level (except in the Pacific Northwest), large quantities of wheat will again be placed under the support program and prices will advance seasonally so that farmers will redeem substantial quantities to satisfy market needs. It is estimated that the average price to farmers in 1957-58 may again average near the national support level of \$2.00 per bushel.

RICE

Rice exports for the year ended July 31, 1957 are estimated at about 37.0 million cwt., in rough rice equivalent. These constitute an all time record, sharply above the previous record of 25.1 million in 1952-53, and were made possible largely by Governmental Programs.

The supply for the 1956-57 marketing year totaled 82.3 million cwt., in rough rice equivalent, consisting of the August 1 carryover of 34.6 million cwt., a crop of 47.4 and imports of 0.3. Domestic disappearance is estimated at 26.3 million cwt. Carryover stocks on August 1, 1957, on the basis of the total disappearance of 63.3 million cwt., is indicated at close to 19 million cwt. The official estimate of carryover stocks is scheduled for release on September 6.

The 1957 crop is estimated as of August 1 at 40.5 million cwt., compared with 47.4 million a year ago and the 1951-55 average of 53.5 million. With likely imports of about .2 million, this would indicate total supplies of 59.7 million cwt., which compares with 82.4 million a year earlier and the 1951-55 average of 62.3 million.

The record exports in 1956-57 were largely responsible for the sharp reduction in carryover from 34.6 million cwt. on August 1, 1956 to about 19.0 this August 1. Exports in 1957-58 are expected to again be large, though not at nearly the high level of 1956-57, and this will further reduce the carryover at the end of the current marketing year.

A national average support price for 1957-crop rice of \$4.72 per cwt. was announced on August 1. This price is 82 percent of the rice parity price of \$5.75 per cwt. on that date. The national support price is 27 cents per cwt. above the advance "minimum" 1957-crop support price as announced November 20, 1956. The increase resulted from a combination of a higher rice parity price, a smaller estimated 1957 rice crop and larger estimated 1957-58 marketing year rice exports than the estimate last fall.

FRUIT

During late summer, supplies of fresh deciduous fruits will continue seasonally large while those of citrus, except lemons and limes, will be seasonally light. Total supplies of fresh fruits as well as of processed fruits may be a little larger than a year earlier. Although demand for fresh fruit continues strong, demand for fruit for processing does not appear to be as good as a year ago.

Supplies of California Valencia oranges remaining for use during late summer and fall are a little lighter than a year ago. In contrast, supplies of lemons and limes are larger. Supplies of grapefruit are about the same as a year ago. In early August, prospects for the 1957 58 citrus crops were not quite as good as a year earlier, especially in California.

Total production of deciduous fruits is expected to be about as large as in 1956. Among fruits marketed in large volume in late summer, production of pears is larger than in 1956, but that of peaches, grapes, and prunes is smaller. With lighter crops of almonds and pecans more than offsetting heavier crops of filberts and walnuts, total production of tree nuts in 1957 is expected to be 14 percent smaller than in 1956.

In California, the crop of dried prunes is expected to be about 11 percent smaller than in 1956, and production of raisin variety grapes, the principal source of raisins, is also down 11 percent. The 1957 packs of canned peaches, purple plums, and a few other fruits probably will be smaller than the 1956 packs. But some increase seems likely in cherries and berries. The pack of frozen cherries also is expected to be larger than in 1956. Output of frozen orange concentrate in Florida in 1956-57 was about 72 million gallons, 2 percent larger than in 1955-56 and a new record.

With sharp reductions in prices and increased movement of frozen orange concentrate since May, Florida packers' stocks of this item by August 3, 1957 had dropped slightly under the level of a year earlier. But stocks of canned single-strength orange juice and other canned citrus juice held by Florida packers were much larger. Packing of frozen deciduous fruits and berries was seasonally heavy during July, resulting in a gain of 123 million pounds in cold storage during that month. Total stocks (excluding juices) were 11 percent larger on August 1, 1957 than a year earlier.

COMMERCIAL VEGETABLES

For Fresh Market

Unfavorable weather during July lowered yield prospects for many vegetable crops. The most serious damage occurred along the Atlantic Coast from Virginia through New England as a result of hot weather and prolonged drought.

Production of late summer vegetables, excluding melons, is expected to be moderately smaller than both last year and the 1949-55 average. Output of late summer carrots and celery is expected to be substantially smaller than a year earlier, and output of cabbage, sweet corn, tomatoes and onions moderately smaller. Late summer cucumbers and green peppers are expected to be in larger supply than a year earlier.

Among those crops for which only total summer estimates are available, only one item--snap beans--promises to be in as large supply as last summer. Production of lima beans, beets, cauliflower, eggplant, escarole, garlic and spinach is expected to be down substantially from 1956, and that of lettuce and green peas down slightly to moderately.

Economic activity is at a high level, and demand for vegetables is expected to continue strong. Supplies of vegetables will be seasonally heavy during the next 4 to 6 weeks. Prices during this period are expected to decline from the relatively high levels of the past few months, but are likely to continue to average above those of a year earlier.

Supplies of cantaloups in late summer promise to be substantially larger than a year earlier, while supplies of watermelons are expected to be noticeably smaller than the heavy supplies of last year. Prices of both cantaloups and watermelons are expected to remain at moderate levels during the next few weeks.

First reports indicate that production of early fall cabbage and celery is likely to be substantially smaller than last year, and carrots slightly smaller.

For Commercial Processing

Early reports point to a substantially smaller production of vegetables for commercial processing this year than last. August estimates for 6 vegetables, which make up 85 to 90 percent of total tonnage for processing, indicates for these vegetables a tonnage about 18 percent smaller than last year's high level. However, indicated production is still about 15 percent above the 1946-55 average. Output of winter and spring spinach was about the same as a year earlier; indicated production of tomatoes for processing is down 24 percent from the record large 1956 crop; sweet corn down 13 percent, and contract cabbage for kraut down 21 percent. Production of snap beans is expected to be moderately larger and that of green peas slightly larger than a year earlier.

The expected smaller pack of vegetables this year will be largely offset by larger carryover stocks. However, total supplies of canned vegetables probably will be a little smaller in 1957-58 than a year earlier, but substantially larger than the 1949-55 average. Supplies of frozen vegetables are likely to be at or near the record levels of a year earlier.

POTATOES AND SWEETPOTATOES

Production of potatoes for late summer harvest is estimated at 31.5 million hundredweight, 7 percent less than a year ago and 5 percent below the corresponding 1949-55 average.

Thus far this summer, distribution pipelines have been better stocked than a year earlier, when the harvesting pattern was distorted, and prices have continued substantially below the relatively high levels in the same period of 1956. For the week ended August 10, f.o.b. shipping point prices of U. S. No. 1 long whites, Delta District, Stockton, California, averaged \$2.56 per hundred pounds, compared with \$4.00 a year earlier.

Indications point to a moderately smaller crop of potatoes for fall harvest than last year. However, potatoes were in surplus supply throughout the 1956-57 season and about 18.6 million hundredweight of the fall crop were diverted to starch and livestock feed.

Prospective production of sweetpotatoes at 16.0 million hundredweight is down 5 percent from last year and a fifth below the 1949-55 average. Prices received by growers are expected to decline seasonally into the fall, but are likely to remain moderately above year earlier levels.

COTTON

A total supply of about 23.3 million running bales of cotton is indicated for the 1957-58 season. This is 4.5 million below the record of the 1956-57 season and the smallest since 1953-54. About 70 percent of the decrease is due to a reduction in the August 1 carryover from 14.5 million bales in 1956 to about 11.4 million a year later. The remainder reflects an expected decline in production. The August 1 estimate indicates a 1957 crop of about 11.8 million running bales (11.9 million 500-pound bales) compared with about 13.2 million last year. This will be the smallest crop since 1950. The current supply also includes an estimate of imports of about 0.1 million bales.

A further reduction in carryover stocks is expected to occur in the current season. Disappearance during the 1957-58 marketing year is provisionally estimated at between 13.5 and 15.0 million bales compared with about 16.4 million a year earlier. If disappearance is at the midpoint of this range and the supply turns out as indicated above, the carryover next August 1 will be 9.0 million bales, or about 2.4 million below that of August 1, 1957.

On August 8, the Department of Agriculture announced that the final 1957 loan rate for Middling 7/8 inch cotton at average location is 28.81 cents per pound. This compares with 29.34 cents per pound last season and the minimum level set on February 9 of 28.15 cents. The higher final rate reflects a 0.37 cent rise in the parity price between January (upon which the minimum rate was based) and July and a one point increase in the applicable percent of parity to 78 percent. Revised estimates of supply and disappearance of upland cotton in 1957, information used in determining the parity percentage, were responsible for the latter change.

The 1957 average loan rate for Middling 1-inch cotton at the 14 spot markets is 32.56 cents per pound, 0.46 cents below that for the 1956 crop. From August 1 through August 15, market prices for this quality at these markets averaged 33.76 cents per pound. A year earlier, they averaged 32.99 cents.

WOOL

Strong world demand for wool has resulted in substantially higher prices since late 1955, though supplies have increased. Boston quotations for domestic wools early in August were considerably higher than in late 1955. Quotations for fine and half-blood wools have advanced 30 to 45 percent and early in August were between 25 and 35 percent higher than a year ago. Quotations for three-eighth blood and coarser wools were up 10 to 30 percent from levels prevailing at the time the advance began in late 1955, and up 5 to 30 percent from a year earlier. Quotations have changed little during the past several weeks, with most the same in late July as in early May. During the summer of 1956, prices of domestic wools were low relative to prices of foreign wools. However, in recent months the relationship has been about the same as the average for recent years.

Prices received by domestic producers for shorn wool started to rise in September 1956. The upward movement extended into the 1957 marketing year. The monthly average of prices received in July was 55.6 cents, up 13.3 cents from a year earlier and up 17.8 cents or 47 percent from January 1956. So far this season, the monthly averages have been between 23 and 33 percent higher than last season.

Prices of wool were considerably higher compared with prices of man-made fiber in early 1957 than early last year. Prices of some of the non-cellulosic staple fibers increased somewhat in late 1956, but the gains were less than the reductions made in late 1955. The increases also were small relative to the advances in wool prices since late 1955.

Supplies of wool in the United States early this year were smaller than in the first part of 1956. Stocks of wool on April 1 amounted to 152 million pounds, scoured basis, including 115 million pounds of apparel wool and 37 million pounds of carpet wool. Both were lower than a year earlier.

CCC holdings accounted for a little over one-fifth of total stocks of apparel wool. But almost three-fourths of the wool held by CCC on April 1 was sold during the following 4 months.

CCC disposals during the first 7 months of this year amounted to 22 million pounds, clean. Of this total, about 5 million pounds were for export under barter contracts. Sales during the corresponding months of 1956 amounted to 15 million pounds.

United States imports early this year were considerably below early 1956. Imports of dutiable wool for consumption during January-May were down 20 million pounds, clean, or 34 percent from last year. The decline reflects lower mill consumption and slightly larger CCC sales for domestic use during these months. Imports of duty-free wools for use primarily in the manufacture of floor coverings were down 13 million pounds or 18 percent.

Domestic production of shorn wool this year is estimated at 226 million pounds, grease basis, down 3 percent from last year. This is equivalent to around 99 million pounds, clean. Production in the "Native" wool States is estimated at 71 million pounds, grease basis, up 3 percent from last year. The estimate for the 13 Western sheep States is 155 million pounds, down 5 percent from last year. The decline in these States is due largely to a reduction in the number of sheep shorn.

World production of wool during 1956-57 is now estimated at 4,965 million pounds, grease basis. This is almost 5 percent above 1955-56. A slight further increase appears likely for 1957-58.

World consumption of wool during the first quarter of this year is estimated to have been about 5 percent higher than a year earlier. It was higher than during any other quarter since the first quarter of 1950.

But in the United States, mill use of wool early this year was down substantially from early 1956. Use of apparel wool during the first half of the year was down 12 percent. It was only 2 percent above early 1954, when consumption was at a postwar low. Consumption of other animal fiber and reprocessed and reused wool by woolen and worsted mills was also down 12 percent. But use of man-made fiber was up 15 percent. The net result was a decline of 9 percent in total fiber use by the wool textile industry in combing and in the spinning of yarn other than carpet on the woolen system.

Mill use of carpet wool during the first half of this year was 4 percent below a year earlier. Use of man-made fiber by woolen mills in the spinning of carpet and rug yarn was up 1 percent during the same months and use of other fiber, mostly reused and reprocessed wool, was up 15 percent.

TOBACCO

Marketings of this year's small crop of flue-cured have been under way in the southern-most Belts since the latter part of July. In the type 14 Belt (Georgia-Florida), marketings have finished. The volume was over one-third less than last year and brought an average price of 55.9 cents per pound--16 percent above a year ago and a record high. In the type 13 Belt (North Carolina border and South Carolina), the average price through mid-August was 57.3 cents--nearly 15 percent above that in the comparable period of last year. The type 12 Belt (Eastern North Carolina) markets opened August 15. Prices for the

first 2 days' sales averaged 49.6 cents per pound -- one percent above the early season average of a year ago. Markets in other Belts will open in September.

As of August 1, the flue-cured crop was indicated to be 35 percent less than last year's crop. This year's production plus the carryover, which is up 11 percent, will provide a total supply for 1957-58 about 7 percent lower than the record 1956-57 level.

Flue-cured is one of the principal cigarette tobaccos and also is exported in large volume. In the year ended June 30, domestic use of flue-cured was 3 percent lower than in the preceding year despite the $3\frac{1}{2}$ percent increase in cigarette manufacture. The average number of cigarettes turned out per pound of farm-sales weight tobacco has increased. This is attributable to the smaller average tobacco requirement for many filter tip brands, the reduced size of some other brands, and the more complete use of the tobacco leaves.

The July 1956 - June 1957 exports of flue-cured totaled 464 million pounds (farm-sales weight) -- 16 percent less than the near record level of 1955-56 but about 8 percent above each of the 2 previous years. Exports of all kinds of tobacco in 1956-57 totaled 558 million pounds (farm-sales weight) -- 14 percent below 1955-56. Exports of burley, Virginia fire-cured, cigar tobacco, and Black Fat were lower. However, export of Kentucky-Tennessee fire-cured and Maryland tobacco increased a little and exports of the dark air-cured types were up substantially compared with 1955-56.

The 1957 burley crop as of August 1 was indicated to be 4 percent lower than last year's harvestings. Indicated production on August 1 of fire-cured, dark air-cured and Connecticut Valley binder types was sharply lower. Production of most other cigar types this year is likely to be moderately lower than in 1956.

The August 1 indication for Maryland tobacco was for a 21 percent smaller crop than last year. Sales of last year's crop of Maryland on the auction markets finished August 2. The market average for the 33.3 million pounds sold over auctions was 51.0 cents per pound -- slightly above the auction average of a year earlier.

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